



Department of Business Regulation
Division of Commercial Licensing and Racing & Athletics
233 Richmond Street
Providence, RI 02903

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Automobile Body Repair Shops

Clarification of Automobile Dealer Sub-contracting, Referral, and Disclosure

This Bulletin is being issued to provide notice to licensees and other interested parties of recent actions taken by the Department of Business Regulation ("Department") regarding automobile body repair shop licensure. On December 13, 2004 an amended version of Commercial Licensing Regulation 4 entitled *Motor Vehicle Body Repair* ("CLR 4") became effective. CLR 4 classified four (4) separate automobile body repair shop license categories and established requirements for each category. As a result of the regulatory amendment, the Full Collision Repair license category in Section 4(B)(i) is now the only category of automobile body repair license that is allowed to repair or subcontract for the repair of automobile body work.

Upon enactment of the amended regulations, the Auto Collision Repair Licensing Advisory Board ("Board") requested guidance as to whether or not automobile dealerships that were licensed before CLR 4 was amended in 2004, without on-site body shops, could, at the time of renewal, continue to sublet work in conjunction with a Special Use license under Section 4(B)(iv) of CLR 4. On January 18, 2006 the Department issued a revised interpretation of R.I. Gen. Laws § 5-38-4(b) which reflected the Department's position that under the amended CLR 4: "...any dealership with a license that no longer qualifies for such license under Regulation 4, Section 4, shall no longer be entitled to renew such license."

On February 1, 2006 a letter, along with a copy of the new amended CLR 4, was sent to all licensed automobile body repair shops informing them of the amendment to CLR 4 and the resulting ramifications. Renewal Applications were sent out on August 18, 2006, earlier than normal, to accommodate those that needed to update or achieve the necessary requirements to be licensed under the new categories of CLR 4.

The Department has taken into consideration that many consumers chose to have the automobile dealership from which they purchase their vehicles also perform the automobile body repair work. To address this issue, of automobile dealers who previously had a body shop license and who at this time are unable to renew that license, the Department has formulated a compromise that would allow such dealerships without

an automobile body repair license to refer automobile body repair work to licensed automobile body repair shops. Therefore, the Department has developed the following regulatory guidelines to address this issue:

- 1) An auto dealer may not hold itself out as engaging in the automobile body repair business unless it is duly qualified with a Full Collision Repair license and meets all licensing requirements of Section 4(B)(i) of CLR 4.
- 2) Should a customer of an automobile dealer without a Full Collision Repair license pursuant to Section 4(B)(i) of CLR 4 request automobile body repair work, the dealer may refer the customer to any licensed automobile body repair shop licensee with a Full Collision Repair license conforming to the requirements of Section 4(B)(i) of CLR 4 and must provide a written notice prior to the referral specifically disclosing to its customer: the name of the licensed automobile body repair shop; and, whether the auto dealer is receiving a referral fee or any other form of compensation relating to the automobile body repair work or parts utilized by the licensed auto body shop.
- 3) The fact that an automobile dealer may have an ownership interest in an automobile body repair shop does not exempt the auto dealer from complying with the requirements stated above, unless it can produce evidentiary substantiation that the automobile dealer has a bona fide majority ownership interest in the licensed automobile body repair shop and takes an active management role in the day-to-day operations of the licensed automobile body repair shop.

Any automobile dealership that does not have a licensed body shop and that does not comply with the foregoing regulatory guidelines will be prosecuted as operating an automobile body shop without a license under R.I. Gen. Laws §§ 5-38-4, 5-38-19.

A. Michael Marques,
Director

May 14, 2007